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June 10, 2019

Coachella Valley Water District
Board of Directors
PO Box 1058
Coachella, CA 92236

Subject: CVWD Board Meeting-June 11, 2019-Items 7A, 10A & 10B

Dear CVWD Board:

I am a CVWD Domestic Water customer and live in La Quinta. I writing to oppose Items 7A, 10A and 10B.

The CVWD Board is once again considering disparate rate-making:

- Item 7A proposes a 10% increase in the West Whitewater AOB RAC from \$143.8/acre-feet to \$158.18. This increase impacts all Domestic Water customers as we pay a blended RAC. See discussion below. This is an outrageous increase considering inflation is only 2%.
- Item 10A proposes an increase to the Domestic Water Rate-Option C which results in an 18.5% increase in Domestic Water rates. This is an outrageous increase considering inflation is only 2%. In addition, the Domestic Water rate is only a small portion of the cost of domestic water and disguises the water property tax component. See discussion below.
- The real kicker is Item 10B, which recommends no increase whatsoever to the Canal Rate! Once again, agriculture gets a free ride while the rest of us pay the brunt.

The current CVWD water economic system is inequitable. It is time that CVWD eliminate this disparity and move toward universal rates, charges and taxes across the entire Coachella Valley.

The Domestic Water consumer pays rates, charges and taxes to cover water-related expenditures of which they derive direct and indirect benefit. For example, my residence is located within Improvement District No. 1 (ID1), yet I get no direct benefit from my ID1 Tax payment. My property is located within the East Whitewater Area of Benefit (AOB), yet I contribute to a blended (all AOBs) Groundwater Replenishment Assessment Charge (RAC) through the Domestic Water rate. In contrast, the Agricultural consumer only pays rates, charges and taxes for water-related costs of which they derive only direct benefit.

The complete water economic system must be utilized to develop holistic and fair water rates, charges and taxes. This includes Canal Water rates, Domestic Water rates, Non-Potable Water rates, State Water Project (SWP) Tax, Replenishment Assessment Charge (RAC), Improvement District No. 1 (ID1) Tax and Stormwater Tax. In addition, to ensure a fair comparison and eliminate confusion, these items should be discussed in terms of the same water units, i.e. acre-feet.

For example, my residence in La Quinta uses an average of 207 gallons per day (GPD). This converts to 0.22 acre-feet/year. My total Domestic Water bill for the year is about \$180, which results in unit cost of \$816/acre-feet. In 2016, my SWP Tax payment was \$473 which results in a unit cost of \$2,150/acre-feet. My ID1 Tax payment was \$62 which results in a unit cost of \$282/acre-feet. My ID1 CVWD Discretionary Tax was \$132, which results in a unit cost of \$600/acre-feet. Adding these four items together yields a unit cost of \$3,848/acre-feet!

Now let's compare a 40-acre urban subdivision verses a 40-acre farm. My subdivision is approximately 40-acres and includes 141 homes. Using my Domestic Water bill, SWP Tax and ID1 Tax as a surrogate, the total Domestic Water revenues derived from this subdivision is \$2,519/acre. A 40-acre farm using 3.8 acre-feet/acre/year at the current Canal Water Class 1 rate, with SWP Tax and ID 1 Tax yields only \$152/acre. The Domestic Water consumers pay 17 times that of the Agricultural customer on an acre for acre basis! For sure the Domestic Water system is more complex than the Irrigation system but the operational costs for the Domestic Water system are only 3.5 times higher---not 17 times higher. The significant reason for the high differential in this analysis is land valuation. Agricultural land is assessed at a much lower value than urban land. This impacts SWP Tax and ID1 Tax revenues, which must be considered in the CVWD water economic system.

It is time to eliminate these inequities with the following recommended actions:

1. One Canal Rate-eliminate the Class 2 Water Supply Surcharge by spreading all Canal Water purchase costs (IID Transfer, Zero Cost Water, etc.) among all the Canal Water consumers. The average cost of all imported Colorado River Water sources is only \$10/acre-feet! There should be one Canal Rate for all customers that use Canal Water. My rough calculations show this rate to be about \$40/acre-feet. This will save the Non-Agricultural Canal Water consumer about \$63/acre-feet!
2. Eliminate ID1 Tax-the ID1 Tax has been applied to 137,000 acres of land in the eastern Coachella Valley since 1950 but only 75,000 acres are irrigable. The ID1 Tax was originally developed to pay for the Coachella Canal, Protective Works, Lake Cahuilla and Irrigation Distribution System (\$34.1 million). Once again, taking into account land valuation, it is estimated that agricultural land only contributed to approximately 25% of the cost to build these facilities. The remaining amount was paid by the Non-agricultural land owners. In fact, today, Agricultural land represents only 5% of the ID1 Tax, i.e. the Non-agricultural land owners are paying for the operation of an irrigation/drainage system that they receive little if any direct benefit. The ID1 Tax should be eliminated and the Non-agricultural property

owners within ID1 should be given a credit spread out over 10 years for the taxes paid without direct benefit for all these years.

3. Allocate SWP Tax by Acre-the current SWP Tax is \$0.10/\$100,000 assessed valuation. As cited above, utilizing property assessments for water-related taxes creates disparity between Agricultural and Non-agricultural land. The SWP Tax should be applied by acreage to eliminate this inequity. Assuming SWP costs are \$65 million/year and using the CVWD corporate boundary acreage of 639,857 acres, yields a proposed SWP Tax of \$102/acre. Under this proposal, my SWP Tax would drop from \$437/year to \$19/year.
4. SWP Tax Fund-there should be a separate SWP Tax Fund to simply pay the SWP Tax bill without any inter-mingling with the RAC Funds. These costs will be covered via the land-based tax mentioned in Item 3 and do not need to be part of the RAC to avoid any double payment issues.
5. Combine 3 RACs-all three RACs should be merged into one to eliminate the constant parochial bickering and make it fair especially to those Domestic Water customers in the East AOB. Currently, the Domestic Water customers pay a blended RAC of \$145.08/AF. Yet agricultural pumpers and the Cities of Indio and Coachella pay \$66/AF. As mentioned above, the SWP costs should be removed as they are already covered by the land-based SWP Tax.

The proposed rate making Items 7A, 10A and 10B are discriminatory to the Domestic Water customer and should not be approved until the above recommended actions are adopted.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark L. Johnson', with a stylized flourish at the end.

Mark L. Johnson

cc: La Quinta City Council